

Message Text

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44

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 EB-11 COME-00 INT-08 SCEM-02

SCI-06 OMB-01 TRSE-00 DRC-01 NEA-10 AF-10 /180 W

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R 311759Z OCT 73

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 9037

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LIMA

AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 5632

E. O. 11652: GDS

TAGS: ENRG, EC

SUBJECT: PETROLEUM PRODUCTION

1. SUMMARY: ECUADOR CAN CONTRIBUTE LITTLE TO ALLEVIATE CURRENT WORLD CRUDE PETROLEUM SHORTAGE. PETROLEUM PRODUCTION IN THE ORIENTE IS AT THE AVERAGE 220,000 BPD LEVEL THAT WAS REACHED AT END-1972. ARTIFICIAL LIFT METHODS ARE REQUIRED TO RAISE PRODUCTION TO THE 250,000 BPD PIPELINE CAPACITY. PIPELINE EXPANSION HAS BEEN PUT OFF UNTIL ADDITIONAL PRODUCTION IS DEVELOPED AND WILL NOT COME INTO USE BEFORE LATE 1975. END SUMMARY.

2. VOLUME OF CRUDE PETROLEUM PRODUCTION AND THEREFORE OF EXPORTS HAS LAGGED BEHIND EXPECTATIONS DURING 1973. TEXACO-GULF REACHED AN AVERAGE PRODUCTION OF 220,000 BPD AT END-1972. ALTHOUGH THE COMPANY EXPECTED THIS TO RISE PROMPTLY TO 250,000 BPD (THE CAPACITY OF THE PIPELINE), PRESENT PRODUCTION AVERAGES 220,000 BARRELS AND HAS SOMETIMES BEEN LOWER IN 1973.

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3. THE REASON FOR THE FAILURE OF PRODUCTION TO EXPAND IN 1973 IS THE UNUSUALLY SHARP RATE OF DECLINE (UP TO 35 AND 40 PERCENT) IN OUTPUT OF WELLS OF THE THREE PRODUCING FIELDS. NEW DEVELOPMENT WELLS HAVE PREVENTED OVERALL PRODUCTION FROM FALLING MARKEDLY AND MANY WELLS HAVE ALSO BEEN PUT ON ARTIFICIAL LIFT METHODS DURING 1973.

4. THE EXTENT OF PRODUCTION PROBLEMS IN THE FIELDS HAS BEEN MASKED FROM THE PUBLIC BY A PUMPING STATION FIRE IN APRIL WHICH TEMPORARILY DROPPED PIPELINE CAPACITY TO 160,000 BPD IN ANY EVENT. THEN, IN LATE SUMMER SLOWDOWNS IN SHIPPING THROUGH THE PANAMA CANAL CURTAILED EXPORTS. HOWEVER, THE PRESENT CONSTRAINT ON EXPORTS IS THE LEVEL OF PRODUCTION.

5. PRODUCTION PROBLEMS HAVE CAUSED TEXACO-GULF TO DELAY A DECISION TO EXPAND THE PIPELINE TO A LEVEL OF 350,000 OR 400,000 BPD. IT IS NOW HOPED THAT ADDITIONAL DRILLING AND ARTIFICIAL LIFT WILL JUSTIFY A DECISION IN SPRING 1974 TO EXPAND PIPELINE CAPACITY. EVEN SO, THE EXPANSION COULD NOT BE COMPLETED BEFORE LATE 1975.

6. ALTHOUGH PRODUCTION IS BELOW EXPECTATIONS AND PROJECTED 400,000 BPD PRODUCTION APPEARS LESS CERTAIN THAN IT DID A YEAR AGO, THE EXTRAORDINARY RUN-UP IN PETROLEUM TAX REFERENCE PRICES (REF QUITO 5474) WILL EARN THE GOE MUCH MORE REVENUE THAN IT HAD ESTIMATED FOR ITS 1973 AND 1974 BUDGETS.
BREWSTER

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Message Attributes

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